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C O N F I D E N T I A L QUITO 000673

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TAGS: PREL PGOV PINS EC  
SUBJECT: PALACIO STANDS FIRM, INDIGENOUS SUSPEND STRIKES

Classified By: PolOff Vanessa Schulz for reasons 1.4 (b&d).

**¶1.** (C) Summary: President Palacio spoke to the nation on March 15, refusing to cede to indigenous striker demands to halt FTA negotiations. Subsequently, protesting highlands provinces and indigenous have suspended their strikes and are returning to their communities with most roads unblocked, but are regrouping to plan future protests. On March 16, President Palacio was upbeat in conversation with the Ambassador about his government's handling of provincial strikes and prospects for reaching an FTA agreement in Washington. The Ambassador encouraged Palacio to stay the course. Minister of Defense Oswaldo Jarrin assured the Ambassador that Armed Forces would maintain order while respecting the Constitution. With anti-FTA protests provoking a backlash in public opinion, we believe the Palacio government can weather this storm. End Summary.

Palacio Standing Firm

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**¶2.** (U) On the evening of March 15, President Palacio spoke on national television and radio rejecting indigenous demands to halt FTA negotiations and declare caducity against Occidental Petroleum. Palacio accused protesters of attempting to destabilize the country. Palacio spoke after indigenous leaders rejected Vice Minister of Government Felipe Vega's offer of dialogue on the free trade agreement.

**¶3.** (C) The Ambassador spoke with Palacio during the evening of March 16, praising his principled public stand rejecting protest tactics and demands. Palacio was upbeat on the course of the strikes and prospects for an FTA accord in Washington. The government could not give in to "blackmail" on the part of provincial and anti-FTA protesters, he said, but was willing to engage in democratic dialogue on the issues. He expressed surprise at exaggerated international press reports calling into question the stability of his government due to the protests, saying the media should be more responsible and the international community needs to understand that the situation is not as serious as portrayed. Some provincial demands are clearly out of line, for example in Pastaza province, which demands an increase from ten cents to ten dollars in provincial fees on oil pumped there.

**¶4.** (C) Turning to upcoming FTA talks, Palacio said he had met with Ecuador's FTA negotiators earlier that day and was convinced that differences with the U.S. on IPR, were largely semantic and bridgeable. "It would be crazy to let these differences block an agreement," he said.

Provincial Strikes Winding Down, Indigenous Regrouping

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¶ 15. (U) The Pan-American highway south of Quito in Cotopaxi province was reopened on March 16. It remained blocked north of Quito in Imbabura province, but the situation was calm and we expect the road to open soon. Thus far, the presence of indigenous protesters in Quito has been light. Fifteen soldiers taken hostage in Pastaza province were released on March 16 without the use of force by authorities. As underlying provincial demands for resources are being met by government negotiations, we expect disruptions to taper off until closer to the beginning of the FTA round on March 23.

¶ 16. (U) Indigenous in Cotopaxi province announced on March 16 that they were putting their strike on hold, but would resume on March 20 if they did not receive a satisfactory response from the government. Cesar Umajinga, prefect of Cotopaxi province, said that indigenous would hold meetings to plan a "more aggressive" uprising. Luis Macas, head of CONAIE, the main indigenous organization, said that if there is no offer of dialogue from the GOE (of which he said he holds little hope), indigenous would return to the streets in larger numbers.

Embassy Outreach Urges Calm, Firmness

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¶ 17. (SBU) The Ambassador spoke with Minister of Defense Jarrin on March 16 to encourage military professionalism in the face of provincial protests. Respect for the Constitution and firmness in applying the law were essential to maintaining peace and democracy in Ecuador. Jarrin said the military should only help with internal security when it reaches a point no longer controllable by police. In his judgment, the strike situation was calming down with only a few road blockades left around the country. Jarrin said a meeting with Palacio was planned to discuss how to act if strikers regrouped over the weekend. Jarrin repeated several times during the conversation that the Constitution and laws must be respected, by citizens and by the military. He expressed frustration that a judge in Sucumbios had let three perpetrators of vandalism go free.

¶ 18. (SBU) DATT and MILGPCDR met with CHOD Enriquez on March 16 who also reiterated military respect for the Constitution. The 15 soldiers taken hostage in Pastaza province were released on March 16 without the use of force threatened by Minister of Defense Jarrin. The CHOD said the military was coordinating closely with police and that a police liaison officer was working in the Joint Command Center. Enriquez expressed doubt whether presidential secretary Jose Modesto Apolo had a strategy to address provincial protests, but he spoke highly of Felipe Vega, Vice Minister of Government whom the President confirmed to the Ambassador would be the replacement for Minister Castillo (SepTel).

¶ 19. (SBU) Guayaquil CG spoke with ex-President Leon Febres Cordero on March 16 who opined that the problems caused by indigenous in the highlands had abated somewhat. He was hopeful the current government would overcome these challenges and finish its term. Febres Cordero asserted that Venezuelan money was supporting the indigenous protests, exacerbating the problem. Press reported that the President of Congress Wilfrido Lucero also alleged Venezuelan support. Lucero later clarified that he said strikers "probably" received foreign support, without specifying any country of origin.

¶ 10. (C) On March 17, Guayaquil mayor Jaime Nebot scoffed at ignorant anti-FTA protesters in conversation with CG, but speculated that even some in his own party might also oppose an agreement. Nebot praised the performance of MinDef Jarrin, a personal friend, in dealing with national security issues, including internal security during the strikes. Jarrin's role had helped preserve the stability of the Palacio government, which is no longer at risk, given the approach of elections in October. Meanwhile, Guayaquil business leaders are planning major public events in support of the FTA for the week of March 20 including a free rock

concert with popular stars (SepTel). A pro-FTA march in Quito attracted 3,000 supporters on March 17.

Indigenous Demands and Divisions, Workers Holding Back

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¶11. (SBU) Indigenous mayor of Cotacachi (Imbabura province) and pre-candidate for president Auki Tituana told PolOff on March 16 that CONAIE wanted a declaration from Palacio saying he would not sign an FTA, but would settle for a promise to put an FTA to popular referendum. Short of that, they want FTA negotiations suspended until a new President takes office. Tituana blamed the government for fueling provincial protests by giving in to previous provincial demands elsewhere.

¶12. (SBU) CEDOCUT umbrella union leader Mesias Tatamuez told LabOff on March 16 that unions supported indigenous demands, but would not join street protests in large numbers until after an FTA agreement was actually reached. Tatamuez urged the USG not to sign an FTA with the Palacio government, which lacks legitimacy, but said the labor movement would not seek to destabilize the Palacio government in opposing an agreement.

¶13. (SBU) Campesino and indigenous organization FENOCIN leader Pedro de la Cruz announced his organization's support for the anti-FTA protests, and evangelical indigenous allies of ex-President Gutierrez are considering entering the fray. The president of the main evangelical organization, FEINE, told press on March 16 that his organization would call for Palacio's resignation and the convocation of a constituent assembly to "restructure the state." Murillo said fundamental problems in Ecuador need to be addressed through a popular assembly. CONAIE leaders have accused FEINE of attempting to return Gutierrez to the presidency.

Comment

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¶14. (C) Protests have died down for now, boosting GOE confidence, but are likely to resume again closer to the start of the final round of FTA negotiations in Washington on March 23. Far from intimidating the GOE, the early protests have had a salutary effect, perhaps improving prospects for a successful FTA conclusion. Indeed, there are signs that anti-FTA protesters are provoking a backlash in public opinion, activating pro-FTA forces who are becoming increasingly vocal.

¶15. (C) The resignation of MinGov Castillo, who had been openly supportive of the protesters and their goals, is another positive outcome. His replacement, Felipe Vega, has excellent relations with military and police counterparts and will support a firm line. We will encourage the GOE to hold steady and not succumb to minority demands against majority (and U.S.) interests. With a proper combination of firmness and outreach to pro-FTA sectors, we believe Palacio can weather this storm.

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